

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 EB-07 TRSE-00 OMB-01 CIAE-00

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P 111422Z FEB 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 4456

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E.O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: GOA REQUESTS NEW IMF CREDITS

REF: BUENOS AIRES 0825, BUENOS AIRES 0863

1. YESTERDAY FEBRUARY 9) PRESIDENT PERON RECEIVED NEW ECONOMY MINISTER MONDELLI AND MEMBERS OF ECONOMIC TEAM. FOLLOWING SESSION, MONDELLI HELD SHORT PRESS CONFERENCE. MAJOR REVELATION BY MONDELLI WAS THAT GOA HAD RECENTLY REQUESTED NEW IMF CREDITS. ACCORDING TO PRESS ACCOUNTS, WHICH RATHER CONFUSED, GOA REQUEST WAS FOR CREDITS TOTALING \$304.5 MILLION, INCLUDING ABOUT \$130 MILLION UNDER FIRST CREDIT TRANCHE, \$140 MILLION FROM EXPORT COMPENSATION FACILITY AND \$44.5 MILLION FROM OIL FUND. IN HIS COMMENTS, MONDELLI EMPHASIZED ARGENTINA MUST OVERCOME OLD FASHIONED MYTH ABOUT FUND WHICH IN FACT BEST SOURCE OF ASSISTANCE AT LOWEST COST FOR COUNTRIES FACING EXTERNAL PROBLEMS. IN RESPONSE TO QUESTION, MONDELLI CLARIFIED NEW CREDITS DID NOT MEAN ARGENTINA ENTERING "STAND BY" ARRANGEMENT WITH FUND WHICH ONLY OCCURS WITH USE OF SECOND TRANCHE.

2. DURING CONFERENCE, MONDELLI AND ADVISORS ALSO REFERRED TO OTHER IMPORTANT ISSUES. ON FOREIGN INVESTMENT,
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MONDELLI SAID GOA HAD PREPARED NEW REGULATORY DECREE

WHICH WOULD HELP ELIMINATE EXISTING CONFUSION ON INTER-
PRETATION OF LAW. REGARDING TAXES, HE SAID ECONOMIC
TEAM WOULD SEEK MODIFICATIONS IN TAX PACKAGE PROPOSED BY
CAFIERO BUT HE HOPED THIS COULD BE ACCOMPLISHED WITHOUT
WITHDRAWING BILLS FROM CONGRESS. MONDELLI SAID GOA
WOULD CONTINUE MAINTAIN PRICE CONTROLS ONLY FOR ITEMS IN
"CONSUMER BASKET" BUT OTHER PRICES WOULD BE CAREFULLY
MONITORED TO PREVENT SPECULATION. HE SAID MODIFICATION
IN STRUCTURE OF PUBLIC ADMINISTRATION NECESSARY TO REDUCE
PUBLIC EXPENDITURES.

3. COMMENT: BASED THIS CONFERENCE AND COMMENTS FROM
PRIVATE CONTACTS, BELIEVE MONDELLI WILL SEEK FOLLOW
REALISTIC ECONOMIC LINE. MAJOR PROBLEM IS ABSENCE
DOMESTIC POLITICAL SUPPORT WHICH LIKELY MAKE HIM SHORT
TERM MINISTER. CONTACT TOLD EMBOFF THAT MONDELLI, AS
CENTRAL BANK PRESIDENT, HAD BEEN URGING GREATER GOA
RECOURSE TO IMF FOR SOME TIME IN LIGHT OF CONTINUING
SEVERE EXTERNAL PROBLEMS AND DIFFICULTY OBTAINING ADDI-
TIONAL COMMERCIAL BANK CREDITS. EMBASSY NOW SEEKING
OFFICIAL CONFIRMATION AND CLARIFICATION OF LATEST GOA
REQUEST TO IMF, AS WELL AS MORE INFORMATION RE FUTURE
GOA INTENTIONS TOWARD FUND.

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